

BPR
Active List Initiative #11

Revised 17 Mar 03

Title: Increase International Logistics Control Office (ILCO) flexibility for determining support methods for delivering goods and services identified on the LOA, amendment, modification documents.

Description of Initiative: Allow ILCOs flexibility to establish different support arrangements with each international customer that permits/directs how orders are processed and where orders are routed. This process will allow orders to bypass the DoD supply system and go directly to vendors; and allow customers to direct orders to specific vendors without sole source approval.

The concept being proposed is to offer and allow the ILCOs greater flexibility to work jointly with the international customer in determining the best method of supporting their requirements. When we use the DoD infrastructure to procure major items and secondary items, we are constrained in how support these requirements. Many times this constraint leads to higher costs. Use of this infrastructure further limits our ability to adopt private industry and to adopt commercial business practices (e.g., commercial banking). These inadequacies lead to higher costs that have to be borne by the international customer. Further the inability to have alternative mechanisms to support our international customer limits if not eliminates our leverage with DoD agencies/services to persuade them that it is in their best interest to change internal business practices that are more accommodating and less expensive to the international customer.

The financial and logistic systems in the DoD infrastructure are a detriment in DSCA's strategy of providing transparency to the international customer. The inadequacy of these systems also tends to increase the cost of managing programs as manual intervention to reconcile records is increasing at the same time DSCA's budget is becoming constrained. The ILCOs need alternative and more flexible policies to allow for them to be more creative in providing superior support in austere financial times.

Currently, the preferred business practice is to satisfy requirements through the DoD infrastructure. For major system sales, the ILCOs rely on the DoD acquisition community to act as the performing activity to manage and procure the major system. For secondary items, the ILCOs utilize DoDs working capital fund structure. While these concepts proved to be beneficial and successful in the 20th century, there may be alternatives available in the 21st century that are not only better, but are of interest to the international customer. Perhaps one of the international customer's greatest preferences for tomorrow's support is more flexibility and involvement in how DoD supports their needs. Additionally, the business practice changes being incorporated by DoD in its efforts to support the U.S. warfighter are not necessarily of benefit to the international warfighter. In many instances, support to the international customer is degraded, more costly, and not as appealing as it was in the past. Many of the DoD policy and directives are outdated in what and how we can support them. For example, sole source policy directives many times works against DoD when it comes to offering a viable means of providing weapon system support to the international customer. The working capital fund surcharges that the international customer must pay even when many of the surcharges are not applicable. Further, the inability of DoD to take advantage of

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technological changes available to private industry creates a status quo mentality that isn't able to take advantage of new methods for conducting business.

The international customer has other options to obtain weapon systems and support thereto. They can procure weapon systems from U.S. industry directly or from other countries which effects the U.S. economy, interpretability, coalition warfare, and worse we an advisory becomes a foe, we no longer have a means to put a stop to a foes maintainability of the weapon system.

Required Policy Changes/Approach: SAMM, AECA, FAA, as amended, DoDD?

Approved Actions: USAF tasked to submit a fully coordinated and staffed issue paper on the topic. Anticipate further discussions at ILCO Symposium, 26-27 Aug 03.

Responsible DoD Champion: DSCA P3 (Mr. Steve Harris)

Anticipated Benefits: Greater flexibility and satisfaction provided to the International Customer; potential cost savings to the International Customer and DoD; potential increased sales (vice Direct Commercial Sales (DCS)); use of commonly accepted commercial business practices; and improved utilization of Security Cooperation workforce, resources and infrastructure.